

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2004

Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor's Report		2-3
Management's Discussion and Analysis (MD&A)		4-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Net Assets	A	16-17
Statement of Activities	B	18-19
Governmental Fund Financial Statements:		
Balance Sheet	C	20
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D	21
Statement of Revenues, Expenditures and Changes in Fund Balances	E	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F	23
Proprietary Fund Financial Statements:		
Statement of Net Assets	G	24
Statement of Revenues, Expenses, and Changes in Net Assets	H	25
Statement of Cash Flows	I	26
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Assets	J	27
Statement of Changes in Fiduciary Net Assets	K	28
Notes to Financial Statements		29-39
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		41
Budget to GAAP Reconciliation		42
Notes to Required Supplementary Information - Budgetary Reporting		43
	<u>Schedule</u>	
Other Supplementary Information:		
Nonmajor Governmental Funds:		
Combining Balance Sheet	1	45
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	46
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3	47
Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds	4	48
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		49-50
Schedule of Findings		51-53

Independent Auditor's Report

To the Board of Education of
River Valley Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District, Correctionville, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of River Valley Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, River Valley Community School District adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement Number 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement Number 38, Certain Financial Statement Note Disclosures; Statement Number 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation Number 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated September 16, 2004, on our consideration of River Valley Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 41 through 43 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise River Valley Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003, (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

September 16, 2004

Management Discussion and Analysis

River Valley Community School District provides this Management Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow this section.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operation.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district:

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the Government-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates *like businesses*, such as food services.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

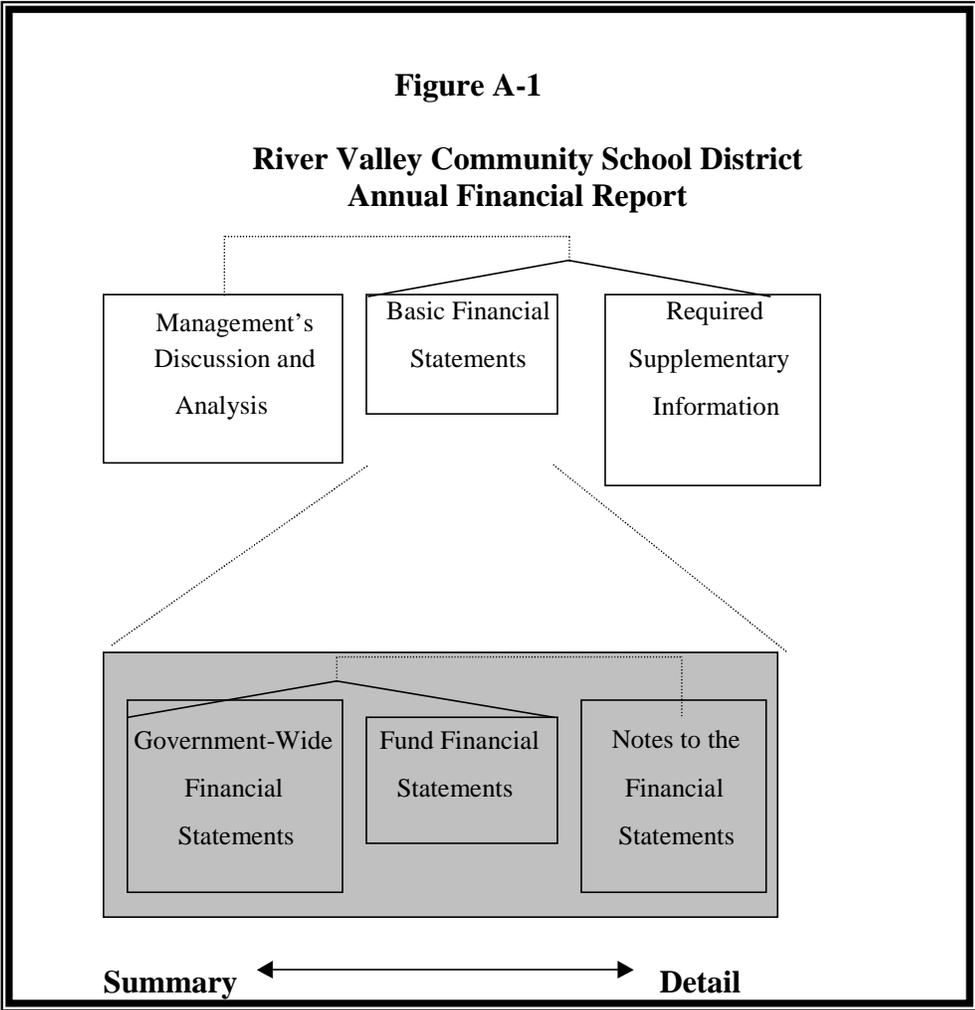


Figure A-2 below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information

Figure A-2: Major Features of the District Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services is included here	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of cash flows • Statement of revenues, expenses and changes in net assets 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

analysis highlights the structure and contents of each of the statements.

Government-wide Financial Statements

The Government-wide statements report information about the district as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's food service program, preschool and after school programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near

future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District reports the following governmental funds: General, Debt Service, Management, Student Activity, Physical Plant and Equipment Levy and Capital Projects.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The district enterprise funds are: School Nutrition Fund, Preschool Fund and the After School Program Fund.

Internal service funds, (the other kind of proprietary fund) are optional and available to report activities that provide supplies and services for other District programs and activities. At this time the District chooses not to use any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. The district currently has three private purpose trust scholarship funds: Linn Scholarship Fund, Sherman Scholarship Fund and the Law Scholarship Fund.

Financial Analysis of the District as a Whole

Net assets – Figure A-3 below provides a summary of the District’s net assets for the year ended June 30, 2004.

Figure A-3

Condensed Statement of Net Assets June 30, 2004

	Governmental		Business-type		Total		% Change
	Activities		Activities		School District		
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	
Current and other assets	\$ 3,639,454	\$4,231,290	\$ 51,299	\$52,396	\$ 3,690,753	\$4,283,686	(13.84%)
Capital assets	5,830,939	5,732,357	93,629	108,518	5,924,568	5,840,875	1.43%
Total assets	9,470,393	9,963,647	144,928	160,914	9,615,321	10,124,561	(5.03%)
Long-term debt outstanding	4,901,232	5,166,206	-	-	4,901,232	5,166,206	(5.13%)
Other liabilities	2,386,620	3,086,451	2,253	851	2,388,873	3,087,302	(22.62%)
Total liabilities	7,287,852	8,252,657	2,253	851	7,290,105	8,253,508	(11.67%)
Net assets							
Invested in capital assets,							
Net of related debt	935,939	578,050	93,629	108,518	1,029,568	686,568	49.96%
Restricted	437,246	513,868	-	-	437,246	513,868	(14.92%)
Unrestricted	809,356	619,072	49,046	51,545	858,402	670,617	28.0%
Total net assets	2,182,541	1,710,990	142,675	160,063	2,325,216	1,871,053	24.27%

The District’s combined net assets increased by 24.27% from \$1,871,053 to \$2,325,216.

While the overall financial performance of the district remains strong, the past year has seen an increase in the unrestricted fund balance.

The unrestricted fund balance increase can be attributed to prudent spending on behalf of the district to increase the unspent balance along with necessary staff reductions resulting in savings to salary and benefits costs.

Changes in net assets – Figure A-4 shows the changes in net assets for the year ended June 30, 2004.

Figure A-4

Changes in Net Assets from Operating Results for the year ended June 30, 2004

	Governmental	Business-type	Total
	Activities	Activities	School District
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenues			
Program revenues			
Charges for services	\$ 397,981	\$ 101,586	\$ 499,567
Operating Grants & Contributions	618,308	116,911	\$735,219
General revenues			
Property taxes	2,020,344	-	2,020,344
Unrestricted state grants	1,460,658	-	1,460,658
Income surtax	160,335	-	160,335
Local option sales and services tax	187,972	-	187,972
Other	23,463	342	23,805
Transfers	(3,600)	3,600	-
Total revenues	4,868,461	222,439	5,087,900
Expenses			
Instruction	2,497,906	-	2,497,906
Support Services	1,332,997	-	1,332,997
Non-instructional programs	255	239,827	240,082
Other expenditures	562,752	-	562,752
Total expenses	4,393,910	239,827	4,633,737
Increase (decrease) in net assets	471,551	(17,388)	454,163

Figure A-5
Sources of Revenues for Fiscal Year 2004

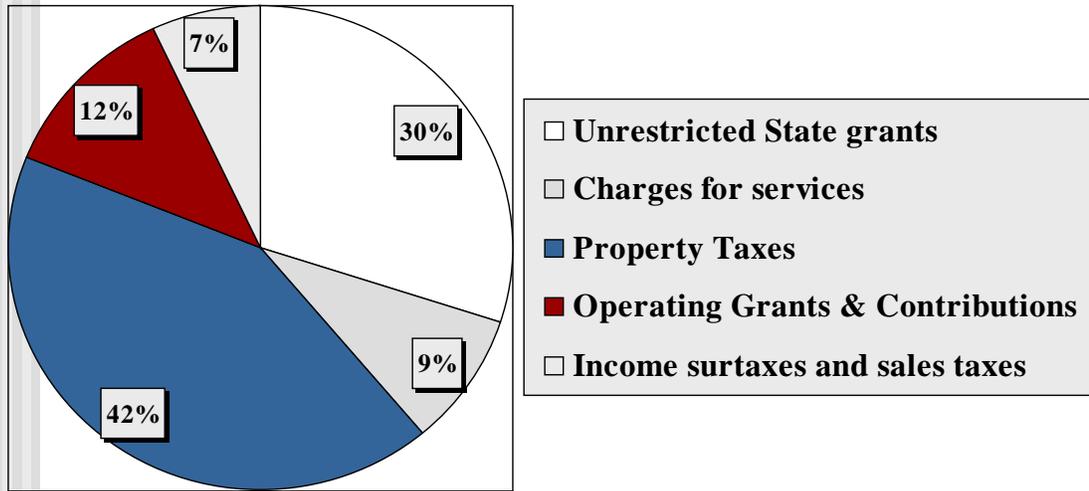
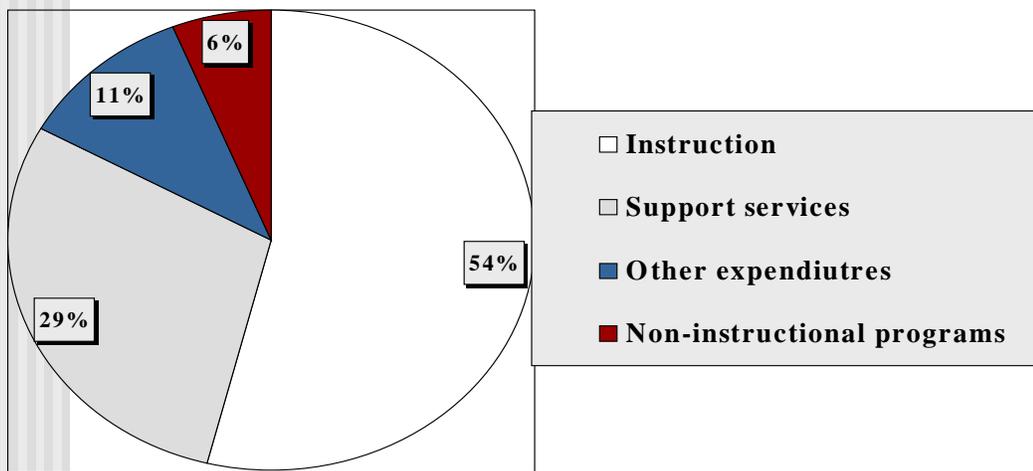


Figure A-6
Expenses for Fiscal Year 2004



Governmental Activities

Figure A-7 presents the cost of four major district activities: instruction, support services, non-instructional programs and other expenditures. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-7

Net Cost of Governmental Activities

	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Instruction	\$2,497,906	\$1,632,340
Support Services	1,332,997	1,332,573
Non-instructional programs	255	255
Other expenditures	562,752	412,453
Total	4,393,910	3,377,621

- The cost of all governmental activities this year was \$4,393,910.
- Cost financed by the users of the District's programs was \$397,981 (see F.A-4)
- The federal and state governments subsidized certain programs with grants and contributions of \$618,308.
- The \$3,377,621 net cost of governmental activities was financed with \$2,020,344 of property taxes, \$1,460,658 of unrestricted state grants, \$187,972 of local option sales taxes and \$160,335 of income surtaxes.

Business Type Activities

Revenues of the District's business type activities (food services, preschool and after school programs) totaled \$222,439 and expenses totaled \$239,827. (Refer to Figure A-4.) Factors contributing to these results are as follows: Business type activity expenditures exceeded revenue by \$17,388. This deficit was caused primarily by the food service program with indicators of declining enrollment/less meals served, additions of services including salad bar and ice cream machine with cost absorbed by the district, increased cost in employee salaries and benefits and a continuing rise in fixed costs.

Financial Analysis of the District's Funds

As previously noted, River Valley Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance showed an increase of \$221,970, from \$492,675 to \$714,645. This increase is a result of prudent spending, staff reductions and an overall sound financial management approach to school district funds. Until this year the district has participated in the Iowa School Cash Anticipatory Program (ISCAP). Improvements in the District's finances did not require the District to participate this year.

Capital Project Fund balance showed a decrease of \$143,277. This is due primarily to the costs related to the construction of a new industrial arts building this year, final expenses to baseball and softball fields and purchase of 6 portable classrooms.

Other Non-major Governmental Fund balances including the Management Fund, Activity Fund and Physical Plant and Equipment (PPEL) Fund showed an increase of \$44,913. This can be attributed to completion of early retirement's commitments by the district, increase in cash within the activity fund and an end of fiscal year balance carryover in the PPEL fund due to saving for a bus to be purchased in the future.

Proprietary Fund Highlights

Nutrition Fund balance decreased by \$16,079. This deficit was attributed to declining enrollments/less meals served, increased cost in employee salaries and benefits, increase in equipment and repairs costs and continuing rise in fixed costs.

Wolverine Den After School Program fund balance decreased by \$231. This is due to delinquent participation fees.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following a required public notice and hearing. The budget may be amended during the year utilizing statutorily prescribed procedures. The District's budget is prepared on a cash basis. The District exceeded the amount budgeted in the other expenditures function. This was due primarily to expenditures related to constructing a new Industrial Arts Building from the Capital Projects Local Option Sales and Service Tax Fund.

There was some variance in the District's budget in comparison to actual results. Total actual revenues were 1.44% more than budgeted, while total actual expenditures were 3.38% less than budgeted. Details can be found in supplementary information section of this report as required.

Capital Asset and Debt Administration

Capital Assets

By the end of 2004, the District had invested \$7,536,934 in a broad range of assets, including land, school buildings, athletic facilities, construction in progress, furniture and equipment and improvements other than buildings. (See Figure A-8) (**More detailed information about capital assets can be found in Note 6 to financial statements.**) Total depreciation expense for the year was \$198,898.

Construction in progress includes costs incurred for the construction of an industrial technology facility. Expenses in relation to the industrial technology facility incurred at the end of fiscal year were \$282,588 with projected remaining expense of \$73,000.

The District also completed construction on new softball and baseball diamonds and purchased and refurbished six portable classrooms. The purchase of the portable classrooms is to prepare the Elementary and High School sites for an increase in students due to the closing of the Middle School building in June, 2005.

Figure A-8
Capital Assets Net of Accumulated Depreciation

	Governmental Activities <u>2004</u>	Business-type Activities <u>2004</u>	Total School District <u>2004</u>
Land	\$19,689	\$ -	\$19,689
Construction in progress	282,588	-	282,588
Buildings	5,200,366	-	5,200,366
Equipment & Furniture	127,435	93,629	221,064
Improvements other than buildings	200,861	-	200,861
	5,830,939	93,629	5,924,568

Long-Term Debt

At year-end, the District had \$4,901,232 in general obligation bonds and other long-term debt outstanding in Figure A-9 below. Additional information about the District's long term debt is present in Note 7 to the financial statement.

Figure A-9

Outstanding Long-Term Debt

	Total	
	School District	
	<u>2004</u>	<u>2003</u>
General obligation bonds & notes	4,895,000	5,135,000
Capital leases	-	19,307
Early retirees	6,232	11,899
Total	4,901,232	5,166,206

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for education. Future increases in state aid to schools, (allowable growth) will be predicated upon the condition of the national and state economy. State funding growth for public schools for fiscal year 2005, has been set at 2%.
- Under Iowa's school funding formula, District funding is highly dependant upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation. District enrollment has experienced a moderate decline in the past, the count completed in September, 2004 shows a slight enrollment gain of 5.9 students which translate into \$28,025 on-time funding budget adjustment and allowable growth.

Other noteworthy factors:

- The district will begin receiving a one (1) cent local option sales tax from Cherokee and Ida Counties during FY 2005. This tax was voted in for then (10) years and will provide significant revenue for capital repairs, busses and technology.
- The District's total tax levy rate increased by 1.06%. This was due primarily to a tax valuation loss of \$22,000,000 and funding of 100% budget guarantee in the amount of \$219,000.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Julie DeStigter, Superintendent, River Valley Community School District, 916 Hackberry St., Correctionville, IA 51016.

BASIC FINANCIAL STATEMENTS

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Assets			
Cash and cash equivalents:			
ISCAP	176,954	-	176,954
Other	1,384,485	45,773	1,430,258
Receivables:			
Property tax:			
Delinquent	38,654	-	38,654
Succeeding year	1,817,715	-	1,817,715
Accounts	436	242	678
Accrued interest	903	-	903
Due from other governments	220,307	-	220,307
Inventories	-	5,284	5,284
Capital assets, net of accumulated depreciation	5,830,939	93,629	5,924,568
Total assets	9,470,393	144,928	9,615,321
Liabilities			
Accounts payable	15,875	-	15,875
Salaries and benefits payable	355,193	-	355,193
Accrued interest payable	19,396	-	19,396
Deferred revenue:			
Succeeding year property tax	1,817,715	-	1,817,715
Other	-	2,253	2,253
ISCAP warrants payable	176,000	-	176,000
ISCAP premium	2,441	-	2,441
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	255,000	-	255,000
Early retirement	5,342	-	5,342
Portion due after one year:			
General obligation bonds payable	4,640,000	-	4,640,000
Early retirement	890	-	890
Total liabilities	7,287,852	2,253	7,290,105

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	Governmental Activities	Business Type	Total
	\$	\$	\$
Net assets			
Invested in capital assets, net of related debt	935,939	93,629	1,029,568
Restricted for:			
Phase III	1,194	-	1,194
Iowa early intervention block grant	47,988	-	47,988
Management levy	261,909	-	261,909
Physical plant and equipment levy	32,564	-	32,564
Other special revenue purposes	55,045	-	55,045
Local option sales tax capital projects	38,546	-	38,546
Unrestricted	<u>809,356</u>	<u>49,046</u>	<u>858,402</u>
Total net assets	<u><u>2,182,541</u></u>	<u><u>142,675</u></u>	<u><u>2,325,216</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Functions/Programs	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	1,749,038	180,489	364,373	-
Special instruction	531,211	91,199	102,665	-
Other instruction	217,657	125,873	967	-
	<u>2,497,906</u>	<u>397,561</u>	<u>468,005</u>	<u>-</u>
Support services:				
Student services	100,084	-	-	-
Instructional staff services	100,839	-	-	-
Administration services	536,916	-	-	-
Operation and maintenance of plant services	380,818	420	-	-
Transportation services	214,340	-	4	-
	<u>1,332,997</u>	<u>420</u>	<u>4</u>	<u>-</u>
Non-instructional programs	<u>255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other expenditures:				
Facilities acquisition	34,019	-	-	-
Long-term debt interest	243,453	-	106	-
AEA flowthrough	150,193	-	150,193	-
Depreciation (unallocated)*	135,087	-	-	-
	<u>562,752</u>	<u>-</u>	<u>150,299</u>	<u>-</u>
Total governmental activities	<u>4,393,910</u>	<u>397,981</u>	<u>618,308</u>	<u>-</u>
Business type activities				
Non-instructional programs:				
Food service operations	218,124	88,532	113,171	-
Preschool	19,213	11,930	2,605	-
After school program	2,490	1,124	1,135	-
Total business-type activities	<u>239,827</u>	<u>101,586</u>	<u>116,911</u>	<u>-</u>
Total	<u>4,633,737</u>	<u>499,567</u>	<u>735,219</u>	<u>-</u>
General Revenues:				
Property taxes levied for:				
General purposes				
Debt service				
Capital outlay				
Income surtax				
Local option sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Transfers				
Total general revenues and transfers				

Change in net assets

Net assets beginning of year, as restated

Net assets end of year

*This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

Net (Expense) Revenue and Changes in Net Asset

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(1,204,176)	-	(1,204,176)
(337,347)	-	(337,347)
(90,817)	-	(90,817)
<u>(1,632,340)</u>	<u>-</u>	<u>(1,632,340)</u>
(100,084)	-	(100,084)
(100,839)	-	(100,839)
(536,916)	-	(536,916)
(380,398)	-	(380,398)
(214,336)	-	(214,336)
<u>(1,332,573)</u>	<u>-</u>	<u>(1,332,573)</u>
(255)	-	(255)
(34,019)	-	(34,019)
(243,347)	-	(243,347)
-	-	-
(135,087)	-	(135,087)
<u>(412,453)</u>	<u>-</u>	<u>(412,453)</u>
<u>(3,377,621)</u>	<u>-</u>	<u>(3,377,621)</u>
-	(16,421)	(16,421)
-	(4,678)	(4,678)
-	(231)	(231)
<u>-</u>	<u>(21,330)</u>	<u>(21,330)</u>
<u>(3,377,621)</u>	<u>(21,330)</u>	<u>(3,398,951)</u>
1,521,304	-	1,521,304
453,887	-	453,887
45,153	-	45,153
160,335	-	160,335
187,972	-	187,972
1,460,658	-	1,460,658
16,318	342	16,660
7,145	-	7,145
<u>3,852,772</u>	<u>342</u>	<u>3,853,114</u>
(3,600)	3,600	-
<u>3,849,172</u>	<u>3,942</u>	<u>3,853,114</u>
471,551	(17,388)	454,163
<u>1,710,990</u>	<u>160,063</u>	<u>1,871,053</u>
<u>2,182,541</u>	<u>142,675</u>	<u>2,325,216</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2004

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments:				
ISCAP	176,954	-	-	176,954
Other	1,218,197	-	166,288	1,384,485
Receivables:				
Property tax:				
Delinquent	27,414	8,656	2,584	38,654
Succeeding year	1,313,945	465,748	38,022	1,817,715
Accounts	436	-	-	436
Accrued interest - ISCAP	-	-	-	-
Accrued interest - other	735	-	168	903
Interfund receivable/payable	(207,774)	(5,457)	213,231	-
Due from other governments	192,317	-	27,990	220,307
Total assets	<u>2,722,224</u>	<u>468,947</u>	<u>448,283</u>	<u>3,639,454</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	-	15,875	15,875
Salaries and benefits payable	355,193	-	-	355,193
ISCAP warrants payable	176,000	-	-	176,000
ISCAP premium	2,441	-	-	2,441
Deferred revenue:				
Succeeding year property tax	1,313,945	465,748	38,022	1,817,715
Other	160,000	-	-	160,000
Total liabilities	<u>2,007,579</u>	<u>465,748</u>	<u>53,897</u>	<u>2,527,224</u>
Fund balances:				
Reserved for:				
Phase III	1,194	-	-	1,194
Iowa early intervention block grant	47,988	-	-	47,988
Debt service	-	3,199	-	3,199
Unreserved	665,463	-	394,386	1,059,849
Total fund balances	<u>714,645</u>	<u>3,199</u>	<u>394,386</u>	<u>1,112,230</u>
Total liabilities and fund balances	<u>2,722,224</u>	<u>468,947</u>	<u>448,283</u>	<u>3,639,454</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet-Governmental Funds
to the Statement of Net Assets

June 30, 2004

Total fund balances of governmental funds (Exhibit C)	1,112,230
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,830,939
--	-----------

Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	160,000
---	---------

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	(19,396)
---	----------

Long-term liabilities, including bonds payable and early retirement benefits, are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.	<u>(4,901,232)</u>
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Net assets of governmental activities (Exhibit A)	<u><u>2,182,541</u></u>
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RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	General Fund	Debt Service	Nonmajor Governmental Funds
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	1,609,963	453,977	323,113
Tuition	244,964	-	-
Other	42,766	106	131,799
State sources	1,801,458	504	180
Federal sources	276,718	-	-
Total revenues	<u>3,975,869</u>	<u>454,587</u>	<u>455,092</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	1,733,065	-	21,144
Special instruction	531,211	-	-
Other instruction	99,143	-	118,339
	<u>2,363,419</u>	<u>-</u>	<u>139,483</u>
Support services:			
Student services	100,084	-	-
Instructional staff services	98,800	-	-
Administration services	517,899	-	19,017
Operation and maintenance of plant services	351,889	-	28,287
Transportation services	168,773	-	-
	<u>1,237,445</u>	<u>-</u>	<u>47,304</u>
Non-instructional programs	255	-	-
Other expenditures:			
Facilities acquisition	-	-	316,607
Long-term debt:			
Principal	-	259,307	-
Interest and fiscal charges	-	245,553	-
AEA flowthrough	150,193	-	-
	<u>150,193</u>	<u>504,860</u>	<u>316,607</u>
Total expenditures	<u>3,751,312</u>	<u>504,860</u>	<u>503,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>224,557</u>	<u>(50,273)</u>	<u>(48,302)</u>
Other financing sources (uses):			
Sales of equipment and real property	1,013	-	500
Operating transfers in	-	50,562	-
Operating transfers out	(3,600)	-	(50,562)
Total other financing sources (uses)	<u>(2,587)</u>	<u>50,562</u>	<u>(50,062)</u>
Net change in fund balances	221,970	289	(98,364)
Fund balances beginning of year, as restated	492,675	2,910	492,750
Fund balances end of year	<u>714,645</u>	<u>3,199</u>	<u>394,386</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2004

	<u>Total</u>
	\$
Revenues:	
Local sources:	
Local tax	2,387,053
Tuition	244,964
Other	174,671
State sources	1,802,142
Federal sources	276,718
Total revenues	<u>4,885,548</u>
Expenditures:	
Current:	
Instruction:	
Regular instruction	1,754,209
Special instruction	531,211
Other instruction	217,482
	<u>2,502,902</u>
Support services:	
Student services	100,084
Instructional staff services	98,800
Administration services	536,916
Operation and maintenance of plant services	380,176
Transportation services	168,773
	<u>1,284,749</u>
Non-instructional programs	<u>255</u>
Other expenditures:	
Facilities acquisition	316,607
Long-term debt:	
Principal	259,307
Interest and fiscal charges	245,553
AEA flowthrough	150,193
	<u>971,660</u>
Total expenditures	<u>4,759,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>125,982</u>
Other financing sources (uses):	
Sales of equipment and real property	1,513
Operating transfers in	50,562
Operating transfers out	(54,162)
Total other financing sources (uses)	<u>(2,087)</u>
Net change in fund balances	123,895
Fund balances beginning of year, as restated	<u>988,335</u>
Fund balances end of year	<u><u>1,112,230</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the
Statement of Activities

Year ended June 30, 2004

	\$	\$
Net change in fund balances - total governmental funds (Exhibit E)		123,895

**Amounts reported for governmental activities in the
Statement of Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the year as follows:

Expenditures for capital assets	282,588	
Depreciation expense	<u>(184,006)</u>	98,582

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities.	(18,000)
---	----------

Repayment of long-term liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	259,307
---	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities interest expense is recognized as the interest accrues, regardless of when it is due.	2,100
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>5,667</u>
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Changes in net assets of governmental activities (Exhibit B)	<u><u>471,551</u></u>
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RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2004

	<u>Nonmajor Funds</u>
	\$
Assets	
Cash and cash equivalents	45,773
Accounts receivable	242
Inventories	5,284
Capital assets, net of accumulated depreciation	<u>93,629</u>
Total assets	144,928
Liabilities	
Deferred revenue	<u>2,253</u>
Net assets	
Invested in capital assets, net of related debt	93,629
Unrestricted	<u>49,046</u>
Total net assets	<u><u>142,675</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2004

	<u>Nonmajor Funds</u>
	\$
Operating revenue:	
Local sources:	
Charges for service	<u>101,586</u>
Operating expenses:	
Non-instructional programs:	
Salaries	97,900
Benefits	13,011
Purchased services	2,176
Supplies	111,851
Depreciation	<u>14,889</u>
	<u>239,827</u>
Operating gain (loss)	<u>(138,241)</u>
Non-operating revenue:	
State sources	5,372
Federal sources	109,754
Donations	1,785
Interest income	342
Total non-operating revenue	<u>117,253</u>
Gain (loss) before contributions and transfers	(20,988)
Transfers in	<u>3,600</u>
Change in net assets	(17,388)
Net assets beginning of year	<u>160,063</u>
Net assets end of year	<u><u>142,675</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2004

	Nonmajor Funds
	<u>\$</u>
Cash flows form operating activities:	
Cash received from sale of lunches and breakfasts	90,238
Cash received from daycare and after school services	13,694
Cash payments to employees for services	(110,911)
Cash payments to suppliers for goods or services	(95,912)
Net cash used by operating activities	<u>(102,891)</u>
Cash flows from non-capital financing activities:	
Transfers from other funds	3,600
Donations	1,785
State grants received	5,372
Federal grants received	93,208
Net cash provided by non-capital financing activities	<u>103,965</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities:	
Interest on investments	<u>342</u>
Net increase (decrease) in cash and cash equivalents	1,416
Cash and cash equivalents at beginning of year	<u>44,357</u>
Cash and cash equivalents at end of year	<u><u>45,773</u></u>
Reconciliation of operating gain (loss) to net cash used by operating activities:	
Operating gain (loss)	(138,241)
Adjustments to reconcile operating gain (loss) to net cash used by operating activities:	
Commodities used	16,546
Depreciation	14,889
Decrease (increase) in inventories	1,673
Decrease (increase) in accounts receivable	840
(Decrease) increase in accounts payable	(104)
(Decrease) increase in deferred revenue	1,506
Net cash used in operating activities	<u><u>(102,891)</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2004, the District received \$16,546 of federal commodities.

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Fund

June 30, 2004

	Private Purpose Trust Scholarship
	<u>\$</u>
Assets	
Cash and pooled investments	155,158
Accrued interest receivable	<u>345</u>
Total Assets	155,503
Liabilities	<u>-</u>
Net Assets	
Reserved for scholarships	<u><u>155,503</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Fund

Year ended June 30, 2004

	Private Purpose Trust Scholarship <u>\$</u>
Additions:	
Local sources:	
Gifts and contributions	475
Interest	<u>2,247</u>
Total additions	2,722
Deductions:	
Support services:	
Scholarships awarded	<u>4,500</u>
Change in net assets	(1,778)
Net assets beginning of year	<u>157,281</u>
Net assets end of year	<u><u>155,503</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2004

1. Summary of Significant Accounting Policies

River Valley Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Correctionville, Washta, Cushing and Quimby, Iowa and the predominately agricultural territory in a portion of Woodbury, Cherokee and Ida Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, River Valley Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) The potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The River Valley Community School District has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's long-term debt.

The District's proprietary funds include three enterprise funds. The School Nutrition Fund is used to account for the food service operations, the Preschool Fund is used to account for tuition charged and the expenses of the District's preschool program and the After School Program Fund is used to account for charges received from and expenses of an after school program for students.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants, and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgements, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the

District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
	\$
Land	-
Buildings	3,500
Improvements other than buildings	3,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the

governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of unspent grant proceeds, amounts received in advance for meal sales and succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Employees are not paid for unused vacation and sick leave benefits when employment with the District ends.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the other expenditures function exceeded the amount budgeted.

2. **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust which are valued at an amortized cost of \$1,265,662 pursuant to Rule 2a-7 under the Investment Company Act of 1940. Governmental Accounting Standards Board Statement No. 3 requires investments to be categorized to give an indication of the level of risk assumed by the District at year end. The District's investment in the Iowa Schools Joint Investment Trust is not subject to risk categorization.

3. Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
		\$
Special Revenue: Management Fund	General Fund	207,774
Special Revenue: Physical Plant and Equipment Levy Fund	Debt Service Fund	5,457
Special Revenue: Physical Plant and Equipment Levy Fund	Capital Projects Fund	22,967

The interfund receivable/payable balances are the result of specific fund deficit cash balances in pooled bank accounts.

4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
		\$
Debt Service Fund	Special Revenue: Physical Plant and Equipment Levy Fund	20,562
Debt Service Fund	Capital Projects Fund	30,000
Enterprise: Preschool Fund	General Fund	3,600

These transfers moved revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. N.A. is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2004, is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
			\$	\$	\$	\$
2004-05A	6/30/04	6/30/05	176,954	-	176,000	-

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2004, is as follows:

Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
\$	\$	\$	\$
-	-	-	-

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
	%	%
2003-04A	2.000	1.050
2004-05A	3.000	2.463

6. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	-	282,588	-	282,588
Land	19,689	-	-	19,689
Total capital assets not being depr.	<u>19,689</u>	<u>282,588</u>	<u>-</u>	<u>302,277</u>
Capital assets being depreciated:				
Buildings	6,163,787	-	31,500	6,132,287
Improvements other than buildings	267,814	-	-	267,814
Furniture and equipment	651,218	-	-	651,218
Total capital assets being deprec.	<u>7,082,819</u>	<u>-</u>	<u>31,500</u>	<u>7,051,319</u>
Less accumulated depreciation for:				
Buildings	841,725	121,696	31,500	931,921
Improvements other than buildings	53,562	13,391	-	66,953
Furniture and equipment	474,864	48,919	-	523,783
Total accumulated depreciation	<u>1,370,151</u>	<u>184,006</u>	<u>31,500</u>	<u>1,522,657</u>
Total capital assets being depreciated, net	<u>5,712,668</u>	<u>(184,006)</u>	<u>-</u>	<u>5,528,662</u>
Governmental activities capital				

assets, net	<u>5,732,357</u>	<u>98,582</u>	<u>-</u>	<u>5,830,939</u>
	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities:				
Furniture and equipment	183,338	-	-	183,338
Less accumulated depreciation	<u>74,820</u>	<u>14,889</u>	<u>-</u>	<u>89,709</u>
Business type activities capital assets, net	<u>108,518</u>	<u>(14,889)</u>	<u>-</u>	<u>93,629</u>

Depreciation expense was charged to the following functions:

	\$
Governmental activities:	
Instruction:	
Regular	496
Other	175
Support Services:	
Instructional staff services	2,039
Operation and maintenance of plant services	642
Transportation	<u>45,567</u>
	48,919
Unallocated depreciation	<u>135,087</u>
Total depreciation expense – governmental activities	<u>184,006</u>
Business type activities:	
Food service	14,286
Preschool	<u>603</u>
	<u>14,889</u>

7. Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	\$	\$	\$	\$	\$
General obligation bonds	5,135,000	-	240,000	4,895,000	255,000
Capital leases	19,307	-	19,307	-	-
Early retirement	11,899	-	5,667	6,232	5,342
Total	<u>5,166,206</u>	<u>-</u>	<u>264,974</u>	<u>4,901,232</u>	<u>260,342</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age [fifty-five](#) and must have completed [ten](#) years of full time service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are based on [a sliding percentage of the employees current base salary](#). Early retirement expenditures for the year ended June 30, [2004](#) totaled [\\$5,667](#).

General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of May, 1998			
	Interest Rates	Principal	Interest	Total
	%	\$	\$	\$
2005		255,000	232,748	487,748
2006		265,000	220,635	485,635
2007		275,000	208,048	483,048
2008		290,000	194,985	484,985
2009		305,000	181,210	486,210
2010-2014		1,760,000	674,251	2,434,251
2015-2018		1,745,000	213,266	1,958,266
		<u>4,895,000</u>	<u>1,925,143</u>	<u>6,820,143</u>

8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, [2004](#), [2003](#) and [2002](#). Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, [2004](#), [2003](#), and [2002](#) were [\\$137,730](#), [\\$136,192](#), and [\\$140,815](#) respectively, equal to the required contributions for each year.

9. Risk Management

[River Valley](#) Community School District is a member in the Iowa School Employees Benefits Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision, and prescription drugs.

Each member's contributions to ISEBA fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, ISEBA's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital.

The District's contributions to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. The District's annual contributions to ISEBA for the year ended June 30, 2004, were \$201,083.

Payments from participating members are the sole source for paying claims and establishing reserves for the ISEBA self-funded programs. Stop loss insurance is purchased by ISEBA to protect against large claims but the potential exists for claims to exceed the premium payments made by members into the program. In the event that claims exceed premiums and reserves, an assessment may be necessary to pay claims and replenish reserves in the program.

The District does not report a liability for losses in excess of stop loss insurance unless it is deemed probable that such losses have occurred and the amount of such a loss can be reasonably estimated. Accordingly, at June 30, 2004, no liability has been recorded in the District's financial statements. As of June 30, 2004, settled claims have not exceeded the risk pool or reinsurance company coverage.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 30 days prior written notice may withdraw. ISEBA will pay claims incurred before the termination date.

River Valley Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$150,193 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

11. Construction Commitment

The District has entered into a \$318,158 contract for the construction of an industrial technology facility. As of June 30, 2004 costs of \$282,588 had been incurred against the contract. The balance remaining at June 30, 2004 will be paid as work on the project progresses.

12. Accounting Change and Restatement

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities, and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund			Total
	General	Debt Service	Nonmajor	
	\$	\$	\$	\$
Net assets, June 30, 2003, as previously reported	492,675	2,910	490,882	986,467
GASB Interpretation 6 adjustments	-	-	1,868	1,868
Net assets, July 1, 2003, as restated for Governmental funds	<u>492,675</u>	<u>2,910</u>	<u>492,750</u>	988,335
GASB 34 adjustments:				
Capital assets net of accumulated depreciation of \$1,370,151				5,732,357
Long-term liabilities:				
Bonds			5,135,000	
Capital leases			19,307	
Early retirement			<u>11,899</u>	(5,166,206)
Accrued interest payable				(21,496)
Deferred revenue				<u>178,000</u>
Net assets, July 1, 2003, as restated				<u>1,710,990</u>

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
				Original	Final	
	\$	\$	\$		\$	\$
Receipts:						
Local sources	2,773,917	106,059	2,879,976	2,869,651	2,869,651	10,325
State sources	1,803,339	5,372	1,808,711	1,887,929	1,887,929	(79,218)
Federal sources	280,188	109,754	389,942	248,914	248,914	141,028
Total receipts	<u>4,857,444</u>	<u>221,185</u>	<u>5,078,629</u>	<u>5,006,494</u>	<u>5,006,494</u>	<u>72,135</u>
Disbursements:						
Instruction	2,540,633	-	2,540,633	2,606,000	2,606,000	65,367
Support services	1,279,897	-	1,279,897	1,410,975	1,410,975	131,078
Non-instructional programs	255	223,369	223,624	243,800	243,800	20,176
Other expenditures	956,774	-	956,774	915,132	915,132	(41,642)
Total disbursements	<u>4,777,559</u>	<u>223,369</u>	<u>5,000,928</u>	<u>5,175,907</u>	<u>5,175,907</u>	<u>174,979</u>
Excess (deficiency) of receipts over (under) disbursements	79,885	(2,184)	77,701	(169,413)	(169,413)	247,114
Other financing sources (uses) net	<u>(2,087)</u>	<u>3,600</u>	<u>1,513</u>	<u>-</u>	<u>-</u>	<u>1,513</u>
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	77,798	1,416	79,214	(169,413)	(169,413)	248,627
Balance beginning of year	<u>1,306,687</u>	<u>44,357</u>	<u>1,351,044</u>	<u>1,380,057</u>	<u>1,380,057</u>	<u>(29,013)</u>
Balance end of year	<u><u>1,384,485</u></u>	<u><u>45,773</u></u>	<u><u>1,430,258</u></u>	<u><u>1,210,644</u></u>	<u><u>1,210,644</u></u>	<u><u>219,614</u></u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
	\$	\$	\$
Revenues	4,857,444	28,104	4,885,548
Expenditures	4,777,559	(17,993)	4,759,566
Net	79,885	46,097	125,982
Other financing sources (uses) net	(2,087)	-	(2,087)
Beginning fund balances	1,306,687	(318,352)	988,335
Ending fund balances	1,384,485	(272,255)	1,112,230

	Proprietary Fund		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
	\$	\$	\$
Revenues	221,185	(2,346)	218,839
Expenditures	223,369	16,458	239,827
Net	(2,184)	(18,804)	(20,988)
Other financing sources (uses) net	3,600	-	3,600
Beginning fund balances	44,357	115,706	160,063
Ending fund balances	45,773	96,902	142,675

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the [cash basis](#). Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that district expenditures in the general fund may not exceed the amount authorized by the school finance formula. The District did not amend its budget during the year.

During the year ended June 30, [2004](#), disbursements in the [other expenditures](#) function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2004

Assets	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	
Cash and pooled investments	58,644	55,045	3,369	49,230	166,288
Receivables:					
Property tax:					
Delinquent	1,723	-	861	-	2,584
Succeeding year	-	-	38,022	-	38,022
Accrued interest	-	-	-	168	168
Interfund receivable/payable	207,774	-	28,424	(22,967)	213,231
Due from other governments	-	-	-	27,990	27,990
Total assets	268,141	55,045	70,676	54,421	448,283
Liabilities & Fund Balances					
Liabilities:					
Accounts payable	-	-	-	15,875	15,875
Deferred revenue:					
Succeeding year property tax	-	-	38,022	-	38,022
Total liabilities	-	-	38,022	15,875	53,897
Fund balances:					
Unreserved fund balance	268,141	55,045	32,654	38,546	394,386
Total liabilities and fund balances	268,141	55,045	70,676	54,421	448,283

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2004

	Special Revenue Funds			Capital Projects Fund	Total
	Management Levy	Student Activity Fund	Physical Plant and Equipment Levy	Local Option Sales and Services Tax	
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	89,979	-	45,162	187,972	323,113
Other	1,750	127,488	239	2,322	131,799
State sources	120	-	60	-	180
Total revenues	<u>91,849</u>	<u>127,488</u>	<u>45,461</u>	<u>190,294</u>	<u>455,092</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	21,144	-	-	-	21,144
Other instruction	-	118,339	-	-	118,339
Support services:					
Administration services	19,017	-	-	-	19,017
Operation and maintenance of plant services	28,287	-	-	-	28,287
Other expenditures:					
Facilities acquisition	-	-	13,036	303,571	316,607
Total expenditures	<u>68,448</u>	<u>118,339</u>	<u>13,036</u>	<u>303,571</u>	<u>503,394</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,401</u>	<u>9,149</u>	<u>32,425</u>	<u>(113,277)</u>	<u>(48,302)</u>
Other financing sources (uses):					
Sales of real property	-	-	500	-	500
Operating transfers out	-	-	(20,562)	(30,000)	(50,562)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(20,062)</u>	<u>(30,000)</u>	<u>(50,062)</u>
Net change in fund balances	23,401	9,149	12,363	(143,277)	(98,364)
Fund balances beginning of year, as restated	<u>244,740</u>	<u>45,896</u>	<u>20,291</u>	<u>181,823</u>	<u>492,750</u>
Fund balances end of year	<u>268,141</u>	<u>55,045</u>	<u>32,654</u>	<u>38,546</u>	<u>394,386</u>

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Intra-fund Transfers</u>	<u>Balance End of Year</u>
	\$	\$	\$	\$	\$
Interest receipts	4,020	1,615	1,625	(1,000)	3,010
MS athletics	1,667	439	4,307	3,000	799
MS cheerleaders	95	-	-	-	95
MS the loft	1,821	728	412	-	2,137
MS renaissance	851	-	39	-	812
MS student council	3,286	15,886	11,163	(3,000)	5,009
MS concessions	273	22	-	-	295
Yearbook	4,085	13,622	14,683	-	3,024
HS play	3,038	2,185	2,413	-	2,810
HS athletics	10,572	38,239	37,546	(103)	11,162
HS cheerleaders	782	2,132	1,512	-	1,402
Speech and drama club	2,716	1,576	2,422	-	1,870
Chess club	100	-	-	-	100
Drill team	218	979	983	-	214
Wolverine's den	824	135	587	-	372
HS renaissance	787	1,097	1,367	-	517
FFA	12	-	-	-	12
FHA	360	114	65	-	409
Art club	135	306	150	-	291
Spanish club	1,051	2,342	313	-	3,080
Quiz bowl club	273	974	851	-	396
Industrial arts club	176	-	-	-	176
Physics club	-	472	405	-	67
Class of 2007	-	360	48	-	312
Class of 2006	198	140	-	-	338
Class of 2005	455	8,203	6,288	-	2,370
Class of 2004	516	1,180	1,528	-	168
Class of 2003	63	-	15	-	48
National Honor Society	294	-	490	1,000	804
Elementary student council	6,076	21,434	17,655	-	9,855
HS student council	636	7,314	7,239	(143)	568
HS concessions	1,571	5,994	5,288	246	2,523
Beginning accrual entries	(1,055)	-	(1,055)	-	-
Total	45,896	127,488	118,339	-	55,045

RIVER VALLEY COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	2,387,053	2,262,917	2,274,675	2,175,055
Tuition	244,964	191,819	138,212	118,915
Other	174,671	250,406	234,972	244,448
Intermediate sources				
State sources	1,802,142	1,950,602	2,031,161	2,205,093
Federal sources	276,718	137,701	175,438	157,002
Total revenues	<u>4,885,548</u>	<u>4,793,445</u>	<u>4,854,458</u>	<u>4,900,513</u>
Expenditures:				
Instruction:				
Regular instruction	1,754,209	1,580,270	1,723,528	1,705,640
Special instruction	531,211	536,099	557,908	541,781
Other instruction	217,482	222,643	258,717	289,223
Support services:				
Student services	100,084	96,093	100,646	104,496
Instructional staff services	98,800	109,221	112,302	182,626
Administration services	536,916	542,088	597,643	535,444
Operation and maintenances of plant services	380,176	376,119	391,681	431,775
Transportation services	168,773	166,973	227,283	309,396
Central support services	-	-	34	43
Non-instructional programs	255	17,218	17,807	17,958
Other expenditures:				
Facilities acquisition	316,607	139,130	160,752	203,446
Long-term debt:				
Principal	259,307	248,128	237,064	210,000
Interest and other charges	245,553	257,657	269,030	275,498
AEA flowthrough	150,193	161,605	163,933	173,209
Total expenditures	<u>4,759,566</u>	<u>4,453,244</u>	<u>4,818,328</u>	<u>4,980,535</u>

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting

To the Board of Education of the
[River Valley](#) Community School District:

We have audited the financial statements of the [River Valley](#) Community School District as of and for the year ended June 30, 2004, and have issued our report thereon dated [September 16, 2004](#). We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether [River Valley](#) Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. [However, we noted certain immaterial instances of noncompliance that are described in Part II of the accompanying Schedule of Findings.](#)

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved except for item [04-II-K](#).

Internal Control over Financial Reporting

In planning and performing our audit, we considered [River Valley](#) Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item [04-I-A](#) is a material weakness. Prior year reportable conditions have all been resolved except for item [04-I-A](#).

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the [River Valley](#) Community School District and other parties to whom the District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of [River Valley Community](#) School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURTON E. TRACY & CO., P.C.
Certified Public Accountants

[September 16, 2004](#)

River Valley Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part I: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were reported.

Reportable Conditions:

04-I-A Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion: Response accepted.

River Valley Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting:

- 04-II-A** Official Depositories: Official depositories have been approved by the District. The maximum deposit amounts approved were exceeded during the year ended June 30, 2004.
- Recommendation: The District should increase the official depository so it is not exceed during the times when cash flow of the District is the greatest.
- District Response: We will increase our depository resolution.
- Conclusion: Response accepted.
- 04-II-B** Certified Budget: Disbursement for the year ended June 30, 2004, exceeded the amount budgeted in the other expenditures function.
- Recommendation: The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.
- District Response: Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion: Response accepted.
- 04-II-C** Questionable Expenditures: We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 04-II-D** Travel Expenses: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 04-II-E** Business Transactions: No transactions between the District and District officials or employees were noted.
- 04-II-F** Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 04-II-G** Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.
- 04-II-H** Certified Enrollment: We noted no variances in the basic enrollment data certified to the Department of Education.
- 04-II-I** Deposits and Investments: We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

River Valley Community School District
Schedule of Findings and Questioned Costs
Year ended June 30, 2004

Part II: Other Findings Related to Statutory Reporting (Continued):

04-II-J Certified Annual Report (CAR): The CAR was not filed with the Department of Education in a timely manner. We noted no significant deficiencies in the amounts reported.

Recommendation: The District should file future CAR by the due date.

District Response: We will do so in the future.

Conclusion: Response accepted.

04-II-K Fund Transfers: We noted fund transfers between the **General Fund** and the Enterprise Preschool Fund for which we could find no documentation of approval by the Board.

Recommendation: All fund transfers should be approved by the Board and documented in the minutes.

District Response: We will document approval of all fund transfers in the future.

Conclusion: Response accepted.